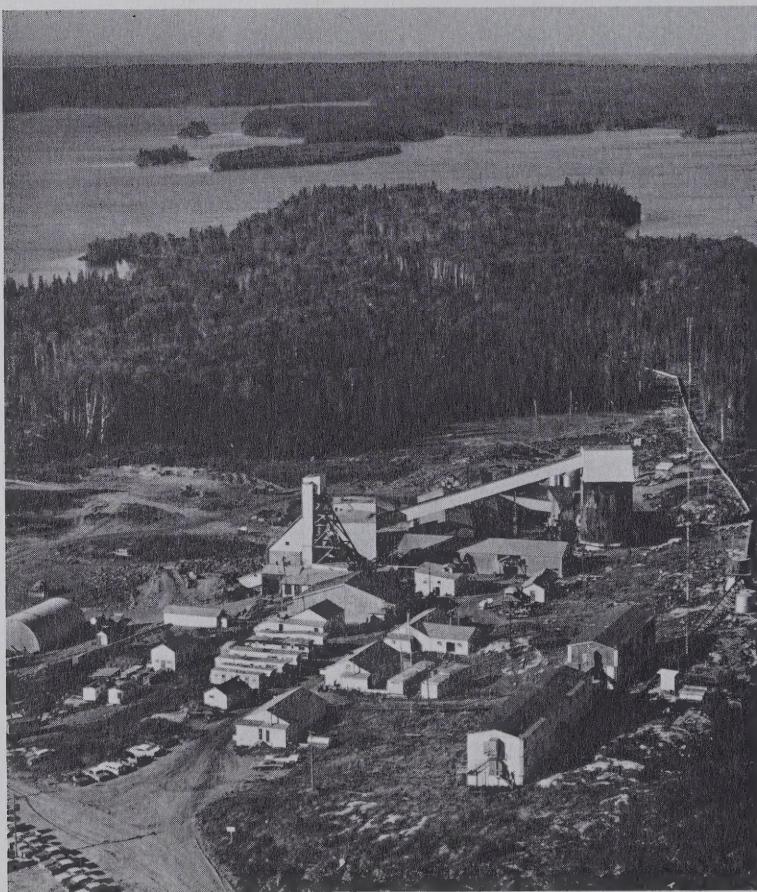


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Anglo-Rouyn

MINES LIMITED

Annual Report 1966



Anglo-Rouyn copper mine and mill
at Lac la Ronge in northern Saskatchewan.

Anglo-Rouyn

MINES LIMITED

120 ADELAIDE STREET WEST, TORONTO 1, CANADA

The President and Directors of Anglo-Rouyn Mines Limited are pleased to present the Annual Report to Shareholders for the year ended December 31, 1966.

Officers

W. B. Malone	-	-	-	-	-	-	President
W. P. Arnold	-	-	-	-	-	-	Vice-President
J. S. Turnbull	-	-	-	-	-	-	Secretary
A. G. Goodeve	-	-	-	-	-	-	Treasurer
M. D. Lawton	-	-	-	-	-	-	Mine Manager

Directors

W. P. Arnold	-	-	-	-	-	Toronto, Ontario
G. Baker	-	-	-	-	-	Toronto, Ontario
Hon. S. A. Hayden, Q.C.	-	-	-	-	-	Toronto, Ontario
W. B. Malone	-	-	-	-	-	Toronto, Ontario
J. A. Sadler	-	-	-	-	-	Toronto, Ontario

Head Office

120 Adelaide Street West - - - Toronto, Ontario

Transfer Agent and Registrar

Crown Trust Company - - - - - Toronto, Ontario

Shares Listed

Toronto Stock Exchange	-	-	-	Toronto, Ontario
Canadian Stock Exchange	-	-	-	Montreal, Quebec

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held on Friday, April 7, 1967 at 11.00 a.m. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

Directors' Report to the Shareholders

On behalf of the Board of Directors, I hereby present the Annual Report of the Company for the year ended December 31, 1966 comprising the Financial Statements for the year with the report of the auditors thereon, and the report on the Company's mining operations.

Financial

The Profit and Loss Account covers a nine month period from April 1 to December 31, 1966. During this period the mine operating profit was \$1,024,009. After deducting administration, amortization and interest charges, the net profit was \$135,957 or approximately 3¢ per share.

During the year the bank loan was increased to the maximum of \$4,100,000. The prolonged tune-up period and the housing program required temporary financing. This was provided by Rio Algom Mines Limited to the extent of \$1,049,120 which amount had been reduced to \$560,686 at year end. In addition, Rio Algom Mines Limited provided a further \$55,212 in 1966 in the form of mining equipment, bringing the total of such advances at December 31, 1966 to \$753,939 which are subordinated to the bank loan.

The net earnings for the year of \$135,957 have been applied to reduce the deficit of \$756,163 which has existed since 1959.

Capital Expenditures

Capital expenditures during 1966 on pre-production, plant and equipment and housing amounted to \$1,287,446 bringing the total capital investment at December 31, 1966 to \$6,383,641. This amount includes \$1,300,162 spent prior to November 1964 when the decision was made to bring the mine into production.

Production

Production at the Company's copper mine at Waden Bay in the Lac La Ronge district of Saskatchewan commenced in late January 1966 and the first shipment of copper concentrate was made in early February. During February and March the mill treated 31,335 tons, producing 843,793 payable pounds of copper in concentrates.

Severe cold weather and mechanical breakdown in the diesel electric generators hampered the mill tune-up and delayed reaching rated output. As a result, the first three months of the year have been treated as a tune-up period with the excess of costs over revenue being charged to preproduction expenses.

In the nine month period from April 1 to December 31, 1966 the mill treated 199,251 tons producing 6,638,571 payable pounds of copper in concentrate. The average mill head grade was 1.79% and the mill recovery was 94.5%. Approximately 5,800 payable ounces of gold and 32,000 payable ounces of silver were produced in the same period.

During the second and third quarters, the mill feed came mostly from the small open pit on the outcrop close to the shaft. Some 102,000 tons were mined from this pit at a diluted grade of 1.72% copper and this, plus the high percentage of ore from mine development, had an adverse affect on the mill head grade. The open pit was exhausted in September and for the last three months of the year all ore treated was mined from underground.

During the year 11,644 feet of underground development was completed and 103,473 tons were broken in stopes with an average grade of 2.03% copper. Blast hole stopes are currently supplying about 65% of the ore require-

ments, but sufficient shrinkage stopes are being prepared to permit a build-up of broken reserves to take care of periods of labour shortage.

Labour Force

An acute shortage of labour was experienced during certain periods of the year. In September and October the monthly turnover of hourly rated employees was as high as 33%. As most of the turnover was in underground miners, this had a very serious effect on underground production during this period.

The work force at the property now consists of 190 men, and your Directors are pleased to report that of this number, approximately 45% are from the La Ronge area. These men are being trained in the skills of mining and every effort is being made to encourage them to accept training in the more skilled occupations. The Saskatchewan Provincial Authorities are co-operating in this program.

The remaining twenty housing units of the thirty-five which your Company has built at La Ronge were completed at year-end. This will have a stabilizing influence on the work force.

Ore Reserves

After the mining of 230,586 tons during the year, ore reserves at December 31, 1966 after making allowance for dilution, are estimated to be 2,000,000 tons of ore with an average grade of 2.14% copper, with some small amounts of silver and gold, but the property has not yet been fully explored.

No surface or underground exploration was carried out on the Company's own claims dur-

ing the year and no significant tonnages were added to the reserves.

Exploration

By arrangement with Rio Tinto Canadian Exploration Limited, your Company is prospecting some ground adjoining the Anglo-Rouyn property to the south-west of the shaft. An induced polarization survey was started in December and is currently under way. Several anomalies have been outlined and are awaiting diamond drilling to determine if they carry any commercial ore. The induced polarization survey is being carried onto adjacent Anglo-Rouyn claims and is also picking up some previously unknown anomalies. Drilling started in February 1967.

General

Substantial increases occurred in the price of copper in 1966 but it is difficult to make any reliable forecasts for the future. The price of copper is influenced by such a wide variety of unpredictable forces that valid forecasts cannot be made. However we have entered 1967 with a strong market and it is hoped that this will continue for the full year.

The mechanical problems that limited production during the tune-up period have been corrected and the plant is now operating efficiently.

Your Directors wish to express to Mr. Lawton, the Mine Manager, and his staff, and to all officers and employees of the Company their sincere appreciation of their unstinted efforts during the year.

On behalf of the Board,

W. B. MALONE,
Toronto,
March 3, 1967.

President.

Anglo-Rouyn Mines Limited
(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT DECEMBER 31

ASSETS

	<u>1966</u>	<u>1965</u>
CURRENT:		
Cash	\$ 23,381	\$ 72,766
Settlements and accounts receivable	1,367,186	28,714
Concentrates on hand, at estimated realizable value	42,164	—
Prepaid expenses	7,288	—
	<u>1,440,019</u>	<u>101,480</u>
 INVESTMENT IN SHARES of Here Fault Copper Limited, at cost (no quoted market value)	40,000	40,000
 FIXED, at cost:		
Plant and equipment	3,557,166	2,702,601
Less accumulated depreciation	314,076	—
	<u>3,243,090</u>	<u>2,702,601</u>
Mining properties less accumulated amortization	71,249	79,000
	<u>3,314,339</u>	<u>2,781,601</u>
 DEFERRED EXPENDITURES AND OTHER ASSETS, at cost:		
Preproduction and development less amortization	2,473,847	2,314,594
Mine supplies	169,927	95,187
Other assets	12,583	—
	<u>2,656,357</u>	<u>2,409,781</u>
	<u>\$7,450,715</u>	<u>\$5,332,862</u>

The accompanying notes are an integral part of this statement

1966 (with comparative figures for 1965)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1966</u>	<u>1965</u>
CURRENT:		
Bank loan (secured) (note 1)	\$4,100,000	\$2,700,000
Accounts payable and accrued liabilities	456,047	580,395
Due to Rio Algoma Mines Limited, parent company	560,686	45,598
Due to associated companies	2,516	23,167
Housing mortgage payable within one year	8,078	—
	<u>5,127,327</u>	<u>3,349,160</u>
OTHER:		
Advances from Rio Algoma Mines Limited, parent company (note 2)	753,939	698,727
Housing mortgage less amount due within one year	148,517	—
	<u>902,456</u>	<u>698,727</u>
SHAREHOLDERS' EQUITY (note 1):		
Capital stock —		
Authorized:		
5,000,000 shares with a par value of \$1 each		
Issued:		
4,807,585 shares	4,807,585	4,807,585
Less discount on shares	2,766,447	2,766,447
Deficit	2,041,138	2,041,138
	620,206	756,163
	<u>1,420,932</u>	<u>1,284,975</u>
Approved on behalf of the Board:		
W. B. MALONE, Director.		
SALTER A. HAYDEN, Director.		
	<u>\$7,450,715</u>	<u>\$5,332,862</u>

AUDITORS' REPORT

To the Shareholders of
Anglo-Rouyn Mines Limited:

We have examined the balance sheet of Anglo-Rouyn Mines Limited as at December 31, 1966 and the statements of earnings, deficit and preproduction and development expenditures and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the company as at December 31, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND,
Chartered Accountants

Toronto, Ontario
February 10, 1967

Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1966.

Revenue from production	\$3,500,721
Less marketing expense	568,485
	<hr/>
Operating expenses:	
Mining	\$ 796,129
Milling	166,084
Plant and utilities	574,062
Mine general expenses	371,952
Mine operating profit	<hr/> 1,908,227
	<hr/> 1,024,009
Depreciation	314,076
Amortization	281,379
Interest expense	239,692
Management fee	45,000
Executive office general expense	7,905
Net earnings for the year (note 3)	<hr/> 888,052
	<hr/> \$ 135,957

Commercial production commenced April 1, 1966.

Statement of Deficit

FOR THE YEAR ENDED DECEMBER 31, 1966

Balance, beginning of the year	\$ 756,163
Net earnings for the year	135,957
Balance, end of the year	<hr/> \$ 620,206

The accompanying notes are an integral part of these statements
and should be read in conjunction therewith.

Statement of Source and Disposition of Funds

FOR THE YEAR ENDED DECEMBER 31, 1966

Funds were obtained from:

Operations —	
Net earnings for the year	\$ 135,957
Add depreciation and amortization which did not involve current outlay of funds	595,455
	731,412
Non current advances from Rio Algoma Mines Limited, parent company	55,212
Housing mortgage	148,517
	935,141

Funds were used for:

Additions to fixed assets	854,565
Additions to preproduction and development	432,881
Other assets	12,583
Increase in mine supplies	74,740
	1,374,769
Decrease in working capital	\$ 439,628

Statement of Preproduction and Development Expenditures

FOR THE YEAR ENDED DECEMBER 31, 1966

Balance, December 31, 1965	\$2,314,594
Additions during the year:	
Mine operating costs during tune-up period	\$ 471,782
Less revenue from concentrates produced	380,400
	91,382
Mine development	205,319
Mine and general administration	44,727
Head office administration	33,886
Interest expenses	57,567
	432,881
Balance, March 31, 1966	2,747,475
Less amortization provided	273,628
Balance, December 31, 1966	\$2,473,847

The accompanying notes are an integral part of these statements and should be read in conjunction therewith.

Notes to Financial Statements

For the Year Ended December 31, 1966.

1. The bank loan is secured by way of assignment of ore concentrates, supplies, etc. under section 88 of the Bank Act, a registered general assignment of accounts receivable and a first mortgage bond of \$4,100,000 and is repayable out of the profits from operations. Under the terms of the agreement with the bank, no dividends can be paid until such time as the bank loan has been retired.
2. Advances from Rio Algoma Mines Limited made in the form of mining equipment are subordinated to the bank loan (see note 1 above).
3. No provision has been made for income taxes because the company has made application for the three year exemption under Section 83(5) of the Income Tax Act in respect of income derived from mining operations.
4. At December 31, 1966 the company estimated the total cost to complete capital projects was approximately \$100,000 of which approximately \$50,000 had been committed.

